



## Calculating Rental Rates for MPDUs

### Introduction

The allowable rents that may be charged for MPDUs are set at the time the Department of Housing and Community Affairs (DHCA) approves the Rental Offering Agreement<sup>1</sup>. In general, the MPDU rent is set at a level so that a qualified household pays no more than 25 percent of its monthly gross income on rent. Rental rates are computed using the maximum income limits for the MPDU program in effect at the time the MPDUs are offered for rent. The maximum income for the MPDU rental program is set at 65 percent of the median income for the Washington, DC Primary Metropolitan Statistical Area (PMSA). If an apartment development is financed through a Federal or state affordable housing program (such as the Federal Low Income Housing Tax Credit), then the requirements of that program supercede the MPDU regulations.

### Methodology

The method for computing the allowable monthly rents for garden apartment MPDUs, before utilities, is described below (establishing rents for high rise apartments is discussed later). The income for the rent calculation is based on one and one half (1½) people per bedroom.

- The rent for an efficiency unit is based on the income for a one person household.
- The rent for a one bedroom unit is based on the mid-point between the income for a one person household and a two person household (e.g. 1.5 people).
- The rent for a one bedroom plus den unit is based on the income for a two person household.
- The rent for a two bedroom unit is based on the income for a three person household.
- The rent for a two bedroom plus den unit is based on the midpoint between the income for a three person household and a four person household (e.g. 3.5 people).

---

<sup>1</sup> see Executive Regulation 13-05AM "Requirements and Procedures for the Moderately Priced Dwelling Unit Program", Section 6.1 "Offering MPDUs for Sale or Rent"

- The rent for a three bedroom unit is based on the mid-point between the income for a four person household and a five person household (e.g. 4.5 people).

Based on the appropriate household size and corresponding maximum income, the income for each unit size is divided by 12, multiplied by twenty-five percent (25%), and then rounded up to the next highest whole number which is evenly divisible by five. This determines the monthly MPDU rent based on bedroom size, before utilities.

**EXAMPLE:** *Calculating the rent for a 1 bedroom garden apartment (1.5 person household):*

*Annual Income for a 1 person household = \$47,000*

*Annual Income for a 2 person household = \$54,000*

*Mid-point = \$50,500*

*$\$50,500 \div 12 \text{ months} = \$4,208.33 \text{ per month} \times .25 = \$1,052.08 = \underline{\$1,055}$  (rounded up)*  
*maximum rent for a 1 bedroom apartment, before utilities*

### **Utilities and Other Service Charges**

In addition to the rental rates established for MPDUs, consideration can be given to those utilities and services paid by the tenant versus those utilities and services paid by the owner. Utility charges and service fees that are paid by the owner may be added to the MPDU rental rate calculated above to establish the MPDU rent. The Department uses "Allowances for Tenant-Furnished Utilities and Other Services" for the Washington PMSA, as determined annually by the U.S. Department of Housing and Urban Development (HUD) to calculate these charges. Any request by a landlord for a variance from these rates will only be considered by the Department upon receipt of a certified report from a registered engineer or by the appropriate utility company. After the first year of operation, utility charges may be based on the actual, average cost of the utility expenses for the previous 12 months.

### **Special Exceptions for High Rise and Senior Apartment Complexes**

The Director may set different rent limits for units in high rise buildings if the Director determines that there is no other reasonable means available to finance the building of all required MPDUs at a specific development. Rents in high rise apartment buildings may be calculated using an income set at 70 percent of the median income for the Washington, DC PMSA (as opposed to 65 percent of the median, as is used for garden apartment developments).

**EXAMPLE:** *Calculating the rent for a 1 bedroom high rise apartment (1.5 person household):*

*Annual Income for a 1 person household = \$50,500*

*Annual Income for a 2 person household = \$58,000*

*Mid-point = \$54,250*

*$\$54,250 \div 12 \text{ months} = \$4,520.83 \text{ per month} \times .25 = \$1,130.21 = \underline{\$1,135}$  rent for a 1 bedroom apartment, before utilities*

The Director may also set different rent limits for rental units in age-restricted buildings if the Director determines that to do so will contribute to the long term availability and affordability of MPDUs for eligible certificate holders, and other households with moderate incomes. The Director may exercise this option upon the conclusion of the priority marketing period if there are MPDUs that can not be rented to eligible certificate holders at the approved MPDU rents. More information on this special situation may be obtained from DHCA staff.

### **Annual Rent Increases**

The MPDU rent may only be adjusted once a year by the Director in accordance with the County Executive's voluntary rent guideline. Apartment complexes are notified, usually in February, of the allowable rent increase for the upcoming year; the rent adjustments are effective as of the following May 1 to provide for the required 60-day notice of rent increase. For occupied units, the adjustment may only be applied upon lease renewal.

### **Other Special Considerations**

Laundry washer and dryer equipment must be provided in each MPDU unit unless this equipment is not provided in the market rate units. No increase in rent is allowed for laundry washer and dryer equipment unless the market rate units are separately charged and the increase is limited to the same fee that the market rate apartments are charged.

The Director may adjust the rental rates for rental apartment developments that provide services, amenities, or design features to all tenants which cannot be made optional to the tenants of the MPDUs on a fee basis. The owner may not charge a fee for non-structured, automobile parking to MPDU tenants. Structured parking, garage or other enclosed spaces may be offered as an option to the MPDU occupants at the monthly rate normally charged by the applicant.

**MPDU Maximum Rents for 2010\***  
**Garden Apartment**

<b>Unit Size</b>	<b>0 BR</b>	<b>1 BR</b>	<b>1 BR + Den</b>	<b>2 BR</b>	<b>2 BR + Den</b>	<b>3 BR</b>
Household Size	1	1.5	2	3	3.5	4.5+
a) MPDU Maximum Annual Gross Income	\$47,000	\$50,500	\$54,000	\$60,500	\$64,000	\$70,000
b) Monthly Gross Income	\$ 3,917	\$ 4,208	\$ 4,500	\$ 5,042	\$ 5,333	\$ 5,833
<b>c) 25% of Monthly Gross (rounded up to the next highest \$5) = MPDU Rent</b>	<b>\$ 980</b>	<b>\$ 1,055</b>	<b>\$ 1,125</b>	<b>\$ 1,265</b>	<b>\$ 1,335</b>	<b>\$ 1,460</b>

**MPDU Maximum Rents for 2010\***  
**High Rise Apartment**

<b>Unit Size</b>	<b>0 BR</b>	<b>1 BR</b>	<b>1 BR + Den</b>	<b>2 BR</b>	<b>2 BR + Den</b>	<b>3 BR</b>
Household Size	1	1.5	2	3	3.5	4.5+
a) MPDU Maximum Annual Gross Income	\$50,500	\$54,250	\$58,000	\$65,000	\$68,750	\$75,250
b) Monthly Gross Income	\$ 4,208	\$ 4,521	\$ 4,833	\$ 5,417	\$ 5,729	\$ 6,271
<b>c) 25% of Monthly Gross (rounded up to the next highest \$5) = MPDU Rent</b>	<b>\$ 1,055</b>	<b>\$ 1,135</b>	<b>\$ 1,210</b>	<b>\$ 1,355</b>	<b>\$ 1,435</b>	<b>\$ 1,570</b>

\*Not including utility charges and service fees that are paid by the owner. Contact DHCA for further information.

S:\Files\recurring\Housing\MPDU\Rents MPDU\Calculating Rental Rates for MPDUs May 2010.doc